



DEBATE PACK

Number CDP 2016-0194, 28 October 2016

Future of the steel industry

Summary

This pack has been prepared ahead of the debate on **the future of the steel industry** to be held on Thursday 3 November Westminster Hall.

The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

Chris Rhodes,
Matthew Ward

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1. Background

The economic contribution of the steel industry is summarised in the following table.

Manufacture of iron and steel in the UK

2015

	Total	% of UK
Economic output (£ million)	1,173	0.1%
Businesses (2016)	575	0.04%
Employees	31,000	0.1%

Sources:

ONS, *GDP preliminary estimates*, Q3 2016, Low Level Aggregates Table

BIS, *Business population estimates*, 2016 (employers)

ONS, *Business Register and Employment Survey*, 2016

Notes:

Employment refers to in Great Britain

Economic output is Gross Value Added (GVA)

SIC codes 24.1 Manufacture of basic iron, steel and non-ferro alloy

24.2 Manufacture of tubes, pipes, hollow profiles and related fittings, of steel

24.3 Manufacture of other products of first processing of steel

The steel industry in the UK is small compared to other manufacturing industries:

- Economic output totals £1.2 billion, 0.1% of the UK economy and 0.7% of manufacturing output.
- There are 575 business involved in the industry.
- These businesses employ 31,000 people in the UK, 0.1% of the total.

A more detailed statistical summary can be found in the Commons Briefing Paper, [Steel industry: statistics and policy](#).

2. Press Articles

The following is a selection of recent press and media articles which may be relevant to this debate. Please note: the Library is not responsible for either the views or accuracy of external content.

[Steel industry call for urgent state report](#)

Jim Pickard and Michael Pooler

Financial Times, 25 October 2016

[Steel chiefs to meet government for crunch talks](#)

Alan Tovey

Daily Telegraph, 23 October 2016

[Steelmakers urge EU to take tougher stance on unfair trade](#)

Michael Pooler and Duncan Robinson

Financial Times, 16 October 2016

[UK should not prop up failing industries, say business groups: IoD and others highlight skills shortages and danger of industrial strategy that intervenes against 'market choice'](#)

Rob Davies

The Guardian, 18 October 2016

[Steel industry at 'breaking point' as it calls for Europe-wide help](#)

Alan Tovey

Daily Telegraph, 17 October 2016

[Port Talbot workers in limbo ahead of final Tata deal: Steelworks closure would be a 'catastrophe' for local area](#)

Michael Pooler

Financial Times, 9 October 2016

[Steel production slumps as industry remains mired in crisis](#)

Alan Tovey

Daily Telegraph, 8 October 2016

[EU imposes import duties of up to 73.7% on cheap Chinese steel: UK Steel warns tariff on hot-rolled steel might not be high enough to discourage China from further dumping of cheap steel](#)

Graham Ruddick

The Guardian, 7 October 2016

[British Steel in profit 100 days after its rebirth](#)

Tom Ough

Daily Telegraph, 29 September 2016

[Tata Steel's UK crisis hits global results: Firm fell £360m into debt in quarter to July thanks to significant loss on sale of British long products business](#)

Rob Davies

The Guardian, 12 September 2016

[Steel is not out of the woods yet](#)

Alan Tovey

Daily Telegraph, 8 September 2016

[Steel crisis far from over as UK production plunges in face of global pressure](#)

Alan Tovey

Daily Telegraph, 23 August 2016

[Theresa May reiterates top-level government support for struggling steel industry](#)

Alan Tovey

Daily Telegraph, 18 August 2016

[Industrial strategy welcomed as part of government's new business policy: New department head Greg Clark says he relishes challenge, as change of focus by Theresa May wins support of CBI and manufacturers](#)

Graham Ruddick

The Guardian, 18 July 2016

3. Press releases

Heathrow to save 700 jobs in embattled UK steel industry

Heathrow Media Centre, 12 September 2016

- Expanded Heathrow needs 370,000 tonnes of UK steel – equivalent to building 30 Shards or 16 Wembley stadia – securing 700 British steel jobs
- Seven northern Labour MPs demand Heathrow expansion be included in Government’s upcoming industrial strategy
- Influential steelworkers’ union Community declares support for expanded Heathrow, urges immediate approval of project to protect UK steelmaking

Seven Labour MPs representing steel communities across the North have called on Business Secretary Greg Clark to get on with Heathrow expansion after the airport revealed it expected to need 370,000 tonnes of steel to build its new terminals in the early 2020s – representing 10% of the UK’s 2015 steel output and the equivalent of building 30 new Shards or 16 Wembley stadia.

The airport has already pledged to follow the new public sector procurement rules regarding steel purchasing and new research released today by economic consultancy QUOD concluded that the tonnage required for an expanded Heathrow could sustain 700 jobs across the UK. This is welcome news for communities such as Scunthorpe, Port Talbot and Teesside – all areas that have lived with the threat of devastating job losses as firms pledge to close down UK steel plants.

Responding to the research, the UK steelworkers’ union Community today backed Heathrow’s expansion plans as vital for the long-term future of the UK’s steel industry.

Roy Rickhuss of Community said:

“Theresa May has a real opportunity to deliver on her promise to build a better, fairer Britain by backing Heathrow expansion and securing a long-term future for British steel. It’s absolutely critical that we don’t stonewall private infrastructure projects that are going to stimulate demand for our steel.

“Heathrow expansion is a ready-to-go project that could secure 700 UK steel jobs. Our steel communities are looking to government to secure their future, Heathrow expansion can be the first step in that long term industrial strategy we desperately need.”

Community joins the GMB and top steel constituency MPs from across the country to call on Clark to include Heathrow expansion in his hotly anticipated industrial strategy for steel and to pressure Government colleagues to get on with approving a decision.

Gareth Stace, Director, UK Steel, said:

“By committing to use UK steel Heathrow is not only supporting the industry at a critical time, it is also setting an important precedent for all

major infrastructure and construction projects in Britain. UK produced steel is high quality and competitively priced, and it supports thousands of jobs and communities. A revitalised steel industry is one of the key foundations Britain will need if we are to secure our place as a global trading powerhouse in a post-Brexit world."

Tim Roache GMB Union, General Secretary said:

"The amount of steel that will be required to build this major project will be a much needed boost for the UK Steel Industry, steel workers and their communities. This is another good reason why the UK government needs to make a decision quickly in support of Heathrow expansion."

Redcar MP Anna Turley, whose constituency has been a major force in the British steel industry, said:

"Unions, MPs and manufacturers are clear that an expanded Heathrow will kick-start growth across the UK – particularly for steel communities currently under threat from mass job losses. In the wake of Brexit putting years of economic uncertainty on the horizon, we need to say yes to projects like Heathrow which will create thousands of jobs and show Britain is serious about its future."

Heathrow CEO John Holland-Kaye said:

"If the Prime Minister greenlights expansion of Heathrow, the biggest privately funded construction project in the UK, she will help create jobs up and down the country. In the steel industry alone, we will support up to 700 skilled jobs by ordering up to 370,000 tonnes of high quality steel. Heathrow expansion will be the cornerstone of the UK's economy."

4. Parliamentary Materials

4.1 Written Questions

[Department for Business, Energy and Industrial Strategy: Iron and Steel: Manufacturing Industries: 46062](#)

Asked by Tom Blenkinsop

Asked on 12 September 2016

To ask the Secretary of State for Business, Energy and Industrial Strategy, whether it remains Government policy to (a) offer specific financial support to the UK steel industry and (b) take a 25 per cent equity stake in Tata Steel.

Answered by Mr Nick Hurd

Answered on 26 September 2016

The Government continues to make compensation payments to all Electricity Intensive Industries, including steel, for the policy costs in their electricity bills. To date we have paid the steel sector over £100 million. We continue to make significant progress in addressing the wider challenges faced by the steel sector, and are working through the Steel Council to ensure the efforts of the sector itself, the Trade Unions, and the Government are all targeted in the right areas.

We are also continuing to work with Tata, the Welsh Government and Trade Unions to support commercial discussions on the future of the company's remaining UK assets.

[Department for Business, Innovation and Skills: Iron and Steel: Manufacturing Industries: 41714](#)

Asked by Stephen Doughty

Asked on 04 July 2016

To ask the Secretary of State for Business, Innovation and Skills, what discussions he has had with representatives of the UK steel industry on the implications of the outcome of the EU referendum for that industry; and what assessment he has made of the implications for his policies on support for the steel industry of the outcome of the EU referendum.

Answered by Mr Nick Hurd

Answered on 26 August 2016

We are committed to working closely with the UK steel sector through the Steel Council, which is co-chaired by my Rt Hon Friend the Secretary of State for Business, Energy and Industrial Strategy and the Chair of UK Steel, to maximize all opportunities to improve the sector's competitiveness. This is also the forum for the Government and the Steel sector to work together to assess the implications of the outcome

of the EU referendum. On 28 June, Ministers from the former Department of Business, Innovation and Skills held a special round table of business leaders, including the Chair of the Steel Council, to start to explore post-referendum issues.

On 20 July, my Rt Hon Friend the Secretary of State for Business, Energy and Industrial Strategy and I visited Port Talbot when we met with local Tata Steel management, employees and trade unions.

The Government's top priority for steel has not changed in the light of the EU referendum. The process for selling Tata Steel's remaining UK assets remains ongoing and we continue to work closely with Tata and potential bidders to seek to secure a sustainable future for UK steel production.

4.2 Oral Questions

[European Council: HC Deb 24 Oct 2016 c 53](#)

Tom Blenkinsop: The Prime Minister said that discussing trade at the European Council was a topic for the future. In relation to lesser duty tariffs, her chief of staff, Nick Timothy, seems to know the Government's hand very well and has, indeed, declared it. He says:

"We do not have to accept 'dumping' by the Chinese steel industry" and we "could impose retaliatory tariffs on Chinese steel", but it is the UK Government's policy "to oppose these measures." Do the Government not have their hands tied behind their back and, indeed, are tying the hands of British steelworkers as we speak?

The Prime Minister: No. The Government have, in a number of ways, been supporting steel production here in the United Kingdom, as the hon. Gentleman will know—both in compensation in relation to climate change and renewables costs, and by the ability to take social issues into consideration when deciding on the procurement of steel. There is a whole range of measures that we have taken. In relation to the action that is being taken by the European Union, we decided at the end of last week that we will modernise the trade defence instruments, but we will do that in a balanced way—balancing the interests of users, producers and consumers. As I am sure he will know, the application of the lesser duty relief has actually meant that, for certain parts of the steel industry, imports from China have dropped by 90%.

Steel Industry: HC Deb 19 Oct c 792-94

Alex Cunningham: What steps the Government are taking to support the steel industry in Wales?

The Secretary of State for Wales (Alun Cairns): I am in regular contact with my right hon. Friend the Secretary of State for Business, Energy and Industrial Strategy, the First Minister and the Welsh Minister for the Economy. We have not lost focus while these issues have been out of the headlines. The Government leave no stone unturned in supporting the steel sector.

Alex Cunningham: What assurances can the Secretary of State give that, in the event of the completion of a joint venture by Tata Strip Products and ThyssenKrupp, commitments will be made on jobs, investment and the continuation of primary steel making at Port Talbot and across Wales?

Alun Cairns: It is in the UK's strategic interests to maintain a steel-making capacity, and so quite obviously to maintain that at Port Talbot. The Government stand ready and waiting to support any bidder. It is a matter for Tata as to whether it pursues the joint venture. We are maintaining a relationship with Tata and other potential bidders that were in discussions earlier this year. We are keen to maintain a sustainable future.

Wayne David: Welsh steel is obviously of the highest quality, and I hope that when Heathrow airport is expanded Welsh steel will be used. In that sense, will the Secretary of State have a word with the Prime Minister to ensure that she stops faffing around on Heathrow expansion and that we have a positive decision as early as possible?

Alun Cairns: The hon. Gentleman tempts me, but he knows that that decision will be coming soon. He makes an important point about the use of steel in infrastructure projects. The UK Government have already changed procurement rules, making it easier for British steel to be used in contracts. For example, Crossrail, Europe's largest civil engineering scheme, uses almost entirely British steel.

Gerald Jones: As the representative for Merthyr Tydfil and Rhymney—
[Interruption.]

Mr Speaker: Order. The hon. Gentleman has a very personal constituency reason for wishing to acknowledge the anniversary of the Aberfan tragedy. Let us hear him with the courtesy he warrants.

Gerald Jones: Thank you, Mr Speaker. As the representative for Merthyr Tydfil and Rhymney, I too would like to associate myself with the comments of the Secretary of State and the shadow Secretary of State, my hon. Friend the Member for Cardiff Central (Jo Stevens), in relation to the 50th anniversary of the Aberfan disaster, an unimaginable loss for the families and, indeed, the whole community.

One major challenge—if not the major challenge—facing the Welsh steel industry is that its energy costs are far higher than those of our competitors. Despite warm words, little action has been taken. What

action is the Secretary of State or the Government taking to bring down energy costs faced by energy-intensive industries?

Alun Cairns: I welcome the hon. Gentleman and his hon. Friend the shadow Secretary of State to their positions. He makes an important point on steel-making capacity and energy costs. He will be well aware that the energy-intensive industry package the Government have brought forward responded to the demands from the industry and from Tata specifically. We have reduced energy costs to the steel sector by £109 million, which has been welcomed and has put the sector in a much stronger position, with a turnaround in profits from a loss of £64 million to an operating profit of £95 million.

Business of the House: HC Deb 13 Oct 2016 c 461

Nic Dakin: In response to the crisis in the steel industry, the Government produced some better procurement guidelines. It would appear that those have not yet reached the Ministry of Defence, which is using French steel to build Trident submarines. May we have a statement by the Business Secretary on how those procurement guidelines are affecting the steel industry in a positive way and how he will move the Ministry of Defence's marks up from E minus to alpha plus?

Mr Lidington: We do source British steel wherever possible, but in this case there was no viable UK bid for the specialised steel required for this particular part of the Successor submarine manufacture. Other stages of construction will include steel that British suppliers can support, and we expect them to take the opportunity to bid. As with every major Government procurement, we are working hard to ensure that, where we can, we source British steel. We expect about 85% of the BAE Systems supply chain for the new submarines to be based in the UK.

Steel Industry: HC Deb 12 Oct 2016: c 293

Dr Andrew Murrison: What assessment he has made of prospects for the steel industry in Scotland.

Mr Speaker: Order. There is far too much noise in the Chamber. The Minister is a debutante at the Box. He ought to be heard.

The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Jesse Norman): Not quite a debutante, Mr Speaker—we can only hope.

The steel industry in Scotland remains a vital part of the UK steel industry as a whole. The Government continue to engage with steel companies, devolved Governments and trade unions to ensure a sustainable and prosperous steel industry for the UK.

Dr Murrison: Liberty House is taking more than 70% of its new workforce from among former Tata Steel employees, which is good news for Motherwell, and it should be congratulated on that. Will my hon. Friend congratulate the company, in particular, on its apprenticeship programme, which is a positive endorsement of Britain's engineering future?

Jesse Norman: My hon. Friend is absolutely right to focus on the Dalzell plate mill, which opened last month under its new owners, Liberty House Group, with the Government's support. As this illustrates, we have taken clear action to help the industry, for example by securing state aid to compensate for energy costs and through flexibility over EU emissions regulations and many other areas. I also share his delight in the work that has been done on apprenticeships.

Marion Fellows (Motherwell and Wishaw) (SNP): During recess, I attended the reopening of the Dalzell works in Motherwell. Will the Minister speak to the Scottish Government about how steel jobs can be saved by putting together a package that really works?

Jesse Norman: I am grateful to the hon. Lady. The Government stand ready to work together with the Scottish Government on any area that can support and protect Scottish jobs and Scottish industry.

[Defence Procurement: Steel Industry: HC Deb 12 Sept 2016, c 586](#)

Christina Rees: What steps he is taking to ensure that the British steel industry and its workers benefit from current and future defence procurement.

The Parliamentary Under-Secretary of State for Defence (Harriett Baldwin): We positively encourage bids from British companies to ensure they are in the best possible position to win future steel contracts. We have issued new policy guidance to address the barriers which might prevent UK steel producers from competing effectively in the open market.

Christina Rees: Now that Government Departments are mandated to provide information about the proportion of UK steel used in the Crown Commercial Service, will the Minister please tell the House what percentage of UK steel is used in current defence projects and what percentage will be used in future? [\[Official Report, 11 October 2016, Vol. 615, c. 4MC.\]](#)

Harriett Baldwin: The hon. Lady rightly speaks up for steel production in her constituency. She will be very pleased to know that, for the largest project that the UK Government have ever procured that uses steel—she will be aware that that is the carrier programme currently under construction on the Clyde—the vast majority comes from Tata Steel. I believe it is 94%.

Tom Pursglove: I wholly support the increasing use of small firms for defence procurement, but will the Minister undertake to encourage those small firms to use British steel wherever possible?

Harriett Baldwin: My hon. Friend is absolutely right that it is a process of encouraging competition not only within the procurement process, but where there are long lead-time items. In our strategic defence and security review, we clearly set out the largest programme of investment in ships for some time, and there will be a lot of long lead-time items. Small business and producers will be able to work with those who are procuring contracts with prime contractors to find a place in that supply chain.

Kate Hollern: Recent defence procurement decisions have failed to take into account the benefits to the UK economy gained by manufacturing domestically. A growing number of products, particularly steel, are procured abroad. Will the Minister therefore commit to assess the wider economic and social benefits derived from building the three new solid support vessels in the UK with British steel, and to share that information with the House?

Harriett Baldwin: The hon. Lady is right again to highlight the fact that, in our strategic defence and security review, we set out a programme in which we are investing in more ships and more aeroplanes, and there is more cyber-investment. She mentions the solid support ships. They will not be procured until later in the Parliament, but I assure her that we will do everything we can with those long lead-time items and the programmes that have been set out in advance to ensure that British companies, including British steel companies, have all the information they need to be successful.

[G20 Summit: HC Deb 7 Sept 2016 c 335-62](#)

Mr Peter Bone: People coming to my constituency and driving along the A45 will see the Rushden Lakes retail development going up with huge steel constructions—the Leader of the Opposition will be pleased to know that 100% British steel is being used there. Does coming out of the EU not give us an opportunity, if necessary, to deal with Chinese dumping of steel? Will the Prime Minister find time next year to come and see Rushden Lakes, as it has some very good shoe shops?

The Prime Minister: My hon. Friend may just have sealed the deal. I commend and welcome the fact that the Rushden Lakes development is using 100% UK steel—that is very good. We need to look at the issue of overcapacity and over-production, not simply as an individual country, or indeed as the EU, but globally. That was why it was so important that that was on the agenda for the G20 and that the new forum has been set up, with Chinese representation on it.

Jessica Morden: On behalf of steelworkers in my constituency, may I reiterate how disappointing it was to learn that the Prime Minister did not raise with the Chinese President specifically the overproduction of Chinese steel? May we have a commitment from the Prime Minister here today that her Government will do absolutely everything now and in the future proactively to raise these issues? We need the Prime Minister to do that to protect our steel industry.

The Prime Minister: I did raise the issue. I chose to raise it in the plenary session so it was clearly raised not just before the Chinese President but before the other leaders. Crucially, what has come out of the G20 is an agreement to set up a new forum, which will be looking at actions that lead to overcapacity and overproduction. The Chinese will be a member of that forum.

Tom Blenkinsop: We know the Prime Minister raised the issue of steel at the plenary session, but did she also raise it at the bilateral session? Did she have any discussions with the Chinese delegation about market economy status? What powers will the new forum have? I have to say that when states such as China are communist, when the state owns its own steel industry and when it deliberately uses measures to distort the market and undermine the steel industries of other nations, it is a bit rich to hear lessons from the Tory party about free trade. When are we going to get immediate trade defence measures from this Government? For the last four to five years, we have seen an explosion of dumping into the British market by the Chinese state—with zero action from this Government.

The Prime Minister: It is absolutely not true that this Government have taken no action. The whole question of global overcapacity is significant in the steel industry, and it is an issue for other industries as well. That is why it is important that this forum, on which the Chinese will be represented, has been set up. Let us look at the various ways in which we have been supporting the steel sector. The industry had certain asks of us. We secured state aid to compensate for energy costs, and flexibility over EU emissions regulations. We made sure that social and economic factors can be taken into account when the Government procure steel. We successfully pressed for the introduction of anti-dumping duties to protect UK steel producers from unfair trade practices. This Government have taken and will continue to take many steps, because we recognise the importance of the steel industry to the UK.

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